

United States Senate

WASHINGTON, DC 20510

July 18, 2023

Scott Giles
Chief Executive Officer
Higher Education Loan Authority of the State of Missouri (MOHELA)
633 Spirit Drive
Chesterfield, Missouri 63005-1243

Dear Mr. Giles:

We are writing to request information about your company's plans to support the more than 40 million federal student loan borrowers who will resume payments on their student loans for the first time in more than three and a half years following the enactment of the *Fiscal Responsibility Act*, which codifies the termination of the suspension on loan payments, interest, and collections related to the COVID-19 pandemic on August 30, 2023.¹ Our concerns are heightened by the disappointing decision by the Supreme Court to substitute politics for the rule of law and deny President Biden's initial plan to provide up to \$20,000 in student debt cancellation for working Americans.²

The restart of tens of millions of borrowers' student loan payments marks an unprecedented event with a heightened risk of borrower harm.³ While we appreciated the Administration's latest announcement of a 12-month "on-ramp" transition period to help borrowers avoid the harshest consequences of missed, partial, or late payments,⁴ our previous correspondence with student loan servicers indicated that they had had little engagement with borrowers throughout the pandemic and were not prepared to support borrowers once payments resumed.⁵ For instance, in response to our July and December 2021 letters, only one servicer out

¹ Federal Student Aid, "COVID-19 Emergency Relief and Federal Student Aid," <https://studentaid.gov/announcements-events/covid-19>; Politico, "Biden admin will resume interest on federal student loans Sept. 1; monthly payments due in October," Michael Stratford, June 12, 2023, <https://www.politico.com/newsletters/weekly-education/2023/06/12/biden-admin-will-resume-interest-on-federal-student-loans-sept-1-monthly-payments-due-in-october-00101431>; Fiscal Responsibility Act of 2023, H.R.3746, <https://www.congress.gov/bill/118th-congress/house-bill/3746>.

² Biden v. Nebraska, No. 22-506 (2023).

³ AP News, "The pause on student loan payments is ending. Can borrowers find room in their budgets?," Collin Binkley, June 8, 2023, <https://apnews.com/article/student-loan-payment-pause-end-642276f724b30890669a60ea2c0bbfd5>; Consumer Financial Protection Bureau, "Report of the CFPB Education Loan Ombudsman," October 2021, pp. 4, https://files.consumerfinance.gov/f/documents/cfpb_education-loan-ombudsman-annual-report_2021.pdf.

⁴ Department of Education, "Secretary Cardona Statement on Supreme Court Ruling on Biden Administration's One Time Student Debt Relief Plan," press release, June 30, 2023, <https://www.ed.gov/news/press-releases/secretary-cardona-statement-supreme-court-ruling-biden-administrations-one-time-student-debt-relief-plan>.

⁵ Senator Warren, "Warren and Colleagues Press Federal Loan Servicers on Plans to Support Borrowers," press release, December 3, 2021, <https://www.warren.senate.gov/newsroom/press-releases/warren-and-colleagues-press>.

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of six indicated that they had conducted multiple rounds of outreach to borrowers;⁶ only half of the servicers shared any information on borrower response rates, and those that did share this information had not been in touch with the majority of new borrowers.⁷ With the resumption of payments now fast approaching, we are requesting updated information on your plans to ensure a smooth transition back into repayment for borrowers.

The Department of Education (ED) has confirmed that interest on loans will begin accruing on September 1, 2023, and that payments will come due starting in October.⁸ Accordingly, ED is “ramping up [its] communications with servicers well before repayment resumes.”⁹ However, significant changes to the loan servicing program since the start of the COVID-19 pandemic increase the risk that borrowers could fall through the cracks when payments resume. Since 2020, a number of servicers have exited the federal student loan program.¹⁰ About half of all borrowers – approximately 17 million – have been transferred to new servicer, with that number expected to grow in the next few months.¹¹

Servicer transfers can result in costly errors to borrower accounts.¹² For example, in 2015, the CFPB found that when servicers transferred 2.5 million borrowers, nearly 20 percent of accounts contained mistakes due to “incorrect balances, missing payments, improper claims of delinquency, revised amortization schedules that resulted in higher monthly payments, and much more.”¹³ One higher education expert acknowledged that “there can be problems transferring borrower data,” and “[b]orrowers should be prepared for the possibility of glitches.”¹⁴ Even more alarming is that, according to the *Wall Street Journal*, more than seven million borrowers have

federal-loan-servicers-on-plans-to-support-borrowers.

⁶ Senator Warren, “In Response to Warren and Markey, Student Loan Servicers Indicate They Are Not Prepared for Payments to Resume,” press release, July 14, 2021, <https://www.warren.senate.gov/newsroom/press-releases/in-response-to-warren-and-markey-student-loan-servicers-indicate-they-are-not-prepared-for-payments-to-resume>.

⁷ Letters from EdFinancial, MOHELA, OSLA, and Nelent to Senators Warren, Blumenthal, Smith, and Van Hollen, December 2021, <https://www.warren.senate.gov/download/07/18/2023/warrenservicersresponses>.

⁸ Federal Student Aid, “The Biden-Harris Administration’s Student Debt Relief Plan Explained,” <https://studentaid.gov/debt-relief-announcement>.

⁹ Wall Street Journal, “White House Prepares for Possibility Supreme Court Could Kill Student Loan Forgiveness Plan,” Andrew Restuccia and Gabriel T. Rubin, June 8, 2023, <https://www.wsj.com/articles/white-house-prepares-for-possibility-supreme-court-could-kill-student-loan-forgiveness-plan-8c17d89f>.

¹⁰ Federal Student Aid, “Federal Loan Servicer Updates,” <https://studentaid.gov/announcements-events/loan-servicer-updates>.

¹¹ Politico, “Biden admin will resume interest on federal student loans Sept. 1; monthly payments due in October,” Michael Stratford, June 12, 2023, <https://www.politico.com/newsletters/weekly-education/2023/06/12/biden-admin-will-resume-interest-on-federal-student-loans-sept-1-monthly-payments-due-in-october-00101431>; The Consumer Financial Protection Bureau, “Office of Research blog: Update on student loan borrowers as payment suspension set to expire,” Thomas Conkling and Christa Gibbs, June 7, 2023, <https://www.consumerfinance.gov/about-us/blog/office-of-research-blog-update-on-student-loan-borrowers-as-payment-suspension-set-to-expire/>.

¹² The American Prospect, “The Oncoming Train Wreck of Restarting Student Loan Payments,” David Dayen, June 7, 2023, <https://prospect.org/education/2023-06-07-oncoming-train-wreck-student-loan-payments/>.

¹³ Consumer Financial Protection Bureau, “Student loan servicing,” September 2015, p. 50, https://files.consumerfinance.gov/f/201509_cfpb_student-loan-servicing-report.pdf; The American Prospect, “The Oncoming Train Wreck of Restarting Student Loan Payments,” David Dayen, June 7, 2023, <https://prospect.org/education/2023-06-07-oncoming-train-wreck-student-loan-payments/>.

¹⁴ CNBC, “Millions of student loan borrowers will have a new servicer when payments restart,” Annie Nova, June 12, 2023, <https://www.cnbc.com/2023/06/12/many-student-loan-borrowers-getting-new-servicer-when-payments-restart.html>.

not yet been assigned to a payment plan.¹⁵ Most of these borrowers have graduated or are otherwise no longer enrolled in a school, raising concerns that servicers may have trouble locating or contacting these borrowers ahead of the payment resumption.¹⁶

We are also concerned by reports indicating that servicers are laying off employees and may be understaffed for the deluge of borrower communication.¹⁷ Last year, borrowers had to wait up to nine hours on the phone after reaching out to their loan servicer about the Public Service Loan Forgiveness (PSLF) program waiver.¹⁸ We understand that funding challenges have contributed to this issue and have called on Congress to ensure the Office of Federal Student Aid has the appropriate resources to protect and support borrowers in the return to payment.¹⁹ But it is critical that servicers dedicate sufficient staff to respond to borrowers seeking information about the return to repayment, provide accurate information to borrowers about their payment obligations and options to manage their loan, ensure borrowers are assigned to the appropriate payment plan, and notify borrowers about any changes on a timely basis.

As this scheduled restart date quickly approaches, we are seeking updated information on your company's readiness to aid and prevent harm to borrowers. We ask that you provide answers to the following questions no later than August 1, 2023:

- 1) How many student loan borrowers does your company currently service?
 - a) How many student borrowers did your company service in February 1, 2020?
 - b) How many student borrowers do you service now that you did not service in February 1, 2020 (either because the accounts were transferred to you or because the accounts are new)?
 - c) How many borrowers do you anticipate you will be servicing by October 1, 2023?
- 2) How many borrowers have contacted you since June 1, 2023?
- 3) What percentage of your customer service representatives are new hires without prior experience working with federal student loan borrowers or the federal student loan system?

¹⁵ Wall Street Journal, "White House Prepares for Possibility Supreme Court Could Kill Student Loan Forgiveness Plan," Andrew Restuccia and Gabriel T. Rubin, June 8, 2023, <https://www.wsj.com/articles/white-house-prepares-for-possibility-supreme-court-could-kill-student-loan-forgiveness-plan-8c17d89f>.

¹⁶ *Id.*


¹⁷ The American Prospect, "The Oncoming Train Wreck of Restarting Student Loan Payments," David Dayen, June 7, 2023, <https://prospect.org/education/2023-06-07-oncoming-train-wreck-student-loan-payments/>; Business Insider, "Student-loan borrowers are about to face more hurdles after a major company reduced its call center hours — and laid off 550 more employees," Ayelet Sheffey, April 10, 2023, <https://www.businessinsider.com/student-loan-company-nelnet-reduces-call-center-hours-layoffs-borrowers-2023-4>.

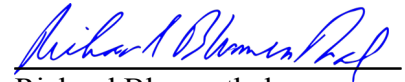
¹⁸ The American Prospect, "The Oncoming Train Wreck of Restarting Student Loan Payments," David Dayen, June 7, 2023, <https://prospect.org/education/2023-06-07-oncoming-train-wreck-student-loan-payments/>; Business Insider, "Student-loan borrowers are about to face more hurdles after a major company reduced its call center hours — and laid off 550 more employees," Ayelet Sheffey, April 10, 2023, <https://www.businessinsider.com/student-loan-company-nelnet-reduces-call-center-hours-layoffs-borrowers-2023-4>.


¹⁹ Office of Senator Elizabeth Warren, "Warren, 16 Senators Request Increased Funding for Office of Federal Student Aid," press release, April 10, 2023, <https://www.warren.senate.gov/oversight/letters/warren-16-senators-request-increased-funding-for-office-of-federal-student-aid>.

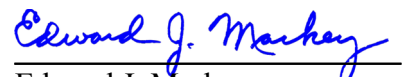
- 4) What percentage of your new hires have completed the required background checks and obtained the necessary security clearances to start servicing borrowers accounts by October 1, 2023?
- 5) Please describe the training you are providing to customer service staff to ensure borrowers receive accurate and timely information about their loans.
- 6) How many complaints have you received from borrowers in the last year?
 - a) How many of those complaints were resolved to the borrower's satisfaction?
- 7) What is the current average call wait time for borrowers trying to get in touch with your company?
- 8) What is the current average written communication wait time for borrowers trying to get in touch with your company?
- 9) For each of the following months, what is your projected average and maximum call and written communication wait times?
 - a) August
 - b) September
 - c) October
- 10) How many staff did your company have in February 1, 2020?
- 11) Do you have adequate staff for the expected volume of communication? If not, how many additional staff do you need to hire and train before October 1, 2023?
- 12) Which methods of borrower communication have had the best response rates?
- 13) What services do you currently use to identify a borrower's correct current contact information?
- 14) For how many borrowers do you have confirmed contact information – either by phone, email, or U.S. Postal Service?
 - a) How many of these borrowers have you successfully contacted using these methods? How do you confirm contacts?
 - b) How many borrowers have not responded to any of your outreach to date?
- 15) How many borrowers have been transferred to your company, and how many of them have affirmatively set up an account with your company since February 1, 2020?
- 16) What steps have you taken to audit borrower accounts to detect missing or inaccurate information? Has your approach differed for borrower accounts that were transferred to you after February 1, 2020?
- 17) Describe the outreach you are conducting to alert borrowers about return to repayment and how you plan to advise borrowers about guidance regarding the President's student loan system reforms.
- 18) How are you determining borrowers' payment amounts and schedules under various payment plans in advance of October 1, 2023?

Sincerely,

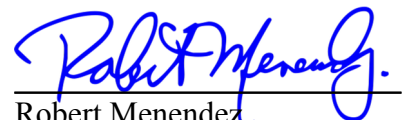

Elizabeth Warren
United States Senator


Richard Blumenthal
United States Senator


Chris Van Hollen
United States Senator


Edward J. Markey
United States Senator


Sherrod Brown
United States Senator


Robert Menendez
United States Senator